

WASHINGTON, D.C. – Congressman Kevin McCarthy introduced the More Transparent and Honest Communications with American Workers Reform Act (H.R. 2440). In light of the Social Security Trustees estimating that the Social Security Trust Funds will be insolvent sometime in 2037 (earlier than the 2041 date that was estimated last year), this legislation, if enacted, would paint a clearer picture of Social Security benefits so that Americans can better plan for their retirement. Specifically, on top of the estimated monthly benefit that is already calculated on a worker's annual Social Security statement, the bill would also show what the estimated monthly benefit would be after the Trust Fund is exhausted. This bill does not alter benefits, it merely communicates what benefits will be distributed under current law.

Congressman McCarthy issued the following statement:

*"American workers that have paid into the Social Security system deserve to have the best information on their retirement benefits so we can all plan accordingly. The announcement this week that the government has moved up the date that Social Security trust funds will run out is of great concern. I believe that Americans should be made aware of the status of the Social Security Trust Fund in their annual Social Security Statement. That is why I introduced this bill that ensures transparent status updates by including a separate schedule of estimated benefits that a worker is supposed to receive on or after the Social Security Trust Fund exhaustion date. Keeping these statements honest and transparent will allow Americans to know what their future benefits are actually going to be, and help them plan accordingly for retirement."*

Background:

Current Law:

- Social Security Statements are sent annually to those who contribute to the Social Security Trust Fund, documenting prior year earnings to help the earner understand wages that were taxable for Social Security purposes.
- The statement also documents what the estimated monthly benefit is for that person, based on the person's earning history, quarters of contribution to the Trust Fund, and current law benefit formulas.
  - o The statement does have a bold disclaimer that if Congress doesn't act to address the program's fiscal problems, benefits could be reduced after the Trust Fund is exhausted.
- Under current law, those born after 1957 can retire with enhanced benefits at age 70
- Under current law, those born after 1960 can retire with full benefits at age 67
- Under current law, those born after 1965 can retire with partial benefits at age 62
- Under the most recent Social Security Trustees report, the Social Security Trust Fund will be exhausted in 2037. While the Trust Fund will continue to receive money from taxpayers that are contributing to it in 2037 and subsequent years, the current estimate is that such revenue will

only meet 76% of the benefits scheduled to be paid that year, resulting in a potential 24% cut in benefits.

Proposed Bill:

- The bill codifies what is currently on the Social Security Statement: that estimated monthly benefits be calculated for workers for retirement at age 62, 67, and 70, and that a disclaimer statement be included that warns workers about the date of Social Security Trust Fund exhaustion as of the latest Trustee report, and the consequences.
- The bill would also require the Statement to include a separate schedule of estimated benefits that reflects the cut in benefits, if the worker is scheduled to receive benefits on or after the Social Security Trust Fund exhaustion date, as of the latest Trustee report.

- o This separate schedule gives workers -- especially younger workers -- more accurate calculations about what their benefits might really be when they retire. This allows workers to better plan for their retirement, based on what they can actually rely on Social Security so long as current law is unchanged.